

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-02

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FM AMEMBASSY MAPUTO

TO SECSTATE WASHDC 7318

INFO AMEMBASSY DAR ES SALAAM

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AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY PRETORIA

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SUBJECT: MOZAMBIQUE REVIEWS ECONOMIC PROBLEMS AND MACHEL CALLS
FOR AUSTERITY

REF: MAPUTO 1049 (NOTAL)

1. SUMMARY: DURING THE AUGUST MEETINGS OF MOZAMBIQUE'S
FREIMO CENTRAL COMMITTEE (C) AND THE NATIONAL PEOPLE'S
ASSEMBLY (PA) THE MEMBERS HEARD A SERIES OF REPORTS AND
SPEECHES BY PRESIDENT MACHEL WHICH OUTLINED MOZAMBIEU'S
ECONOMIC PROBLEMS AND CALLED FOR AUSTERITY, INVESTMENT
AND BETTER PLANNING. WHILE LITTLE MORE THAN AN ADUMBRATION. THE
PUBLIC STATEMENTS AHVE CONFIRMED WHAT SOME PEOPLE
ALREADY KNEW MOZAMBIQUE'S ECONOMY IS IN POOR SHAPE.
AS A SYMPTOM OF THE CURRENT DIFFICULTIES, JOAQUIM CARVALHO WAS
DISMISSED FROM HIS DUTIES AS MINISTER OF AGRICULTURE AND MEMBER OF
THE CC. CARVALHO WAS CHARGED WITH FAILING TO DEVELOP COMMUNAL
VILLAGES AS BASIC UNITS OF PRODUCTION AND WITH PERSONEL MISBEHAVIOR
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END SUMMARY.

2. CALLING "ECONOMIC INDEPENDENCE A BASIC FACTOR OF POLITICAL
INDEPENDENCE" MACHEL REVIEWED THE RECENT STEPS
TAKEN BY THE GPRM TO CREAT A PLANNED AND RATIONAL
ECONOMY. AS EXAMPLES, HE MENTIONED THE RESTRUCTURING
OF THE BANK OF MOZAMBIQUE, THE CREATION OF THE MINISTRY

OF DOMESTIC AND FOREIGN TRADE, AND THE ORGANIZATION OF A NATIONAL PLANNING COMMISSION. THE NATIONALIZATION OF THE MOATIZE COAL MINE AND THE GOVERNMENT'S INTERVENTION IN SENA SUGAR ESTATES, AND THE BUDGET FOR 1978-79 TO CREAT ESSENTIAL INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT. WHILE HIGHLIGHTING PRODUCTION GAINS IN SOME SECTORS. (CEMENT, PETROLEUM REFINING, RICE, COTTON AND TEA) MACHEL EMPHZASIZED THE SERIOUS PROBLEMS RESULTING FROM THE LACK OF MATERIAL AND FINANCIAL RESOURCES, GOVERNMENT INEXPERIENCE, INEFFICIENY AND WASTE, DELAYED IMPORT PERMITS, INADEQUATE DISTRIBUTION SYSTEMS AND SLOW RECRUITMENT OF FOREIGN TECHNICAINS. HE REPEATELDY CALLED FOR FOREIGN CREDITS AS WELL AS DOMESTIC SAVINGS TO AID SECTORS OF THE ECONOMY WHICH COULD QUICKLY BECOME PRODUCTIVE AND GENERATE REVENUE. MACEHL ACKNOWLEDGED MOZAMBIQUE'S CONTINUING NEED TO IMPORT CORN, RICE, WHEAT MEAT, DRIED FISH, POTATOES, POWERED MILK, AND TEXTILES. HE ASLO ADMITTED THAT THE RECENT RICE HARVEST AT CHOKUE WHICH NEEDED 35,000 WORKERS TO SAVE THE CROP. WAS POORLY PLANNED. THE DECREASE IN EXPORTS AND THE INCRASING PRICE OF IMPORTS WERE GIVEN AS REASONS FOR MOZAMBIQUE'S WORSEN INGL BALANCE OF PAYMENTS SITUATION.

3. MOZAMBIQUE COMMUNAL VILLAGES WERE CALLED THE "ESSENTIAL WAY FOR THE SOCIALIZAION AND DEVELOPMENT OF RURAL REAS" BUT PROBLEMS WERE NOTED IN THE ORGANIZATION, PLANNING, UNCLASSIFIED

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COORDINATION, AND ASSISTANCE GOVEN TO THESE VILLAGES MACHEL REAFFIRMEND THAT THE ORGANZIATION OF THE PEOPLE INTO COMMUNAL VILLAGES IS A PRIORITY TAST" AND PLEDGED THE PARTY AND GOVERNMENT TO THE RESILUTION OF THE PROBLEMS WHICH PLAGUE THE VILLAGES. AT THE END OF THE SESSIONS OF FRELIMO'S CENTRAL COMMITTEE, IT WAS ANNOUNCED THAT JOAQUIM CARVALHO HAD BEEN DISMISSED FROM HIS POSITION OF MINISTER OF AGRICULTURE AND MEMBER OF THE CC. AMONG CARVALHO'S ALLEGED MISDEEDS INCLUDE HIS "REFUSAL TO GIVE PRIORITY TO COMMUNAL VILLAGES" AND THE "BLOCKING OF THE PROCESS TO CREATE THEM". WE UNDERSTAND THAT CARVALHO WHO IS ONE OF THE FEW TECHNOCRATS IN GOVERNMENT PREFERRED TO DEVOTE HIS MINISTRY'S LIMITED RESOURCS TO THE DEVELOPMENT OF MOZAMBIQUE'S STATE FARMS (WHICH ARE MORE EFFICIENT UNITS OF PRODUCTION) AND SUPPORT FOR THE TRADITIONAL SMALL FARMER.

4. COMMENT; MACHEL STATEMENT WERE FAIRLY FRANK ADMISSIONS THAT MOZAMBIQUE'S ECONOMY CONTINUES TO FACE SERIOUS PROBLEMS. WHILE CAPITALISM CAME IN FOR CRITICISM THROUGHOUT HIS SPEECHES AND SOCIALISM WAS EXTOLLED AS THE PATH OF DEVELOPMENT, HE DID CALL FOR FOREIGN FINANCING TO BUILD THE ECONOMY. THIS CALL. AND MOZAMBIQUE'S 1977 INVESTMENT

CODE, SHOW THAT MOZAMBIQUE IS WILLING TO COOPERATE WITH
NON-SOCIALIST COUNTRIES AND ENTERPRISES WHEN IT IS IN THE
GPRM'S INTEREST. CARVALHO'S DEMISE MAY HAVE PARTIALLY
STEMMED FROM THE GOVERNMENT'S DESIRE TO FIND A SCAPEGOAT
FOR THE SLOW PACE OF AGRICULTURAL DEVELOPMENT. IT MAY
ALSO INDICATE THAT IN A CONTEST BETWEEN ADHERENCE TO THE
PARTY LINE AND TECHNICAL AND ADMINISTRATIVE PRAGMATISM
THE PARTY LINE STILL HAS THE UPPER HAND.
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